

Extraordinary General Meeting

of Allianz AG February 08, 2006

Report of the
Chairman of the Board of Management,
Michael Diekmann



- The spoken word shall prevail -

Dear Shareholders,

I should like to extend an extremely warm welcome, on behalf of my colleagues on the Board of Management, to this Extraordinary General Meeting of your Allianz. I should also like to welcome the members of the press who are reporting on our meeting today.

This General Meeting is not simply extraordinary from the business perspective. It is also extraordinary as a result of the circumstances surrounding the event. Members of staff at Allianz are expressing concern for their jobs both outside our meeting venue and inside this building itself. This mainly relates to the changes that we are working toward in the insurance business of Allianz in Germany.

Even if these changes at the German locations are not the subject of this General Meeting, the circumstances undoubtedly affect all those people gathered here in the hall. I should therefore like to say something about these changes in Germany, before I come to the subject of the General Meeting, the merger of the Italian RAS into Allianz AG.

Up to now in Germany, we served the market with three independent insurance companies, which have been running the property and casualty, the life and the health insurance business. Each of these companies has operated with its own sales organization. This parallel structure is no longer appropriate, because aside from a high requirement for coordination and cost inefficiencies, it's difficult to deliver customer support across all lines of insurance due to the different administrative and information systems.

We have decided to completely restructure our insurance activities in Germany with the aim of ensuring cost benefits and delivering optimum support for our customers in an increasingly competitive environment. We have therefore established an operating holding company - Allianz Deutschland AG. It will be responsible for managing the entire insurance business in Germany across all lines of insurance. However, our project goes far beyond simply restructuring the corporate legal structures. Key stages are as follows:

- we will completely reorganize the operating processes across all lines of insurance,
- we will bundle all sales activities in one company and
- we will be organized in four regions instead of seven regions as in the past.

We are carrying out these changes now, because we don't want to wait until falling earnings force us and we have to take action fast and geared to the short-term. We want to implement a future-oriented business model from a position of strength, a model which will allow us to grow profitably. This is the only way for us to be in a position to offer jobs that are both secure and worthwhile. It is important for Allianz that we start this process of modernization here in Germany and hence play a pioneering role for the Allianz companies abroad.

This new direction entails changes for many of our employees in Germany and unfortunately it involves job losses. At the present time, we are in the middle of redesigning structures and harmonizing processes with each other. We therefore have to wait in some areas before we can say precisely what changes employees will be affected by and how many jobs will be involved. I can well understand that this is

causing a great deal of unease, anxiety and even anger. Nobody likes living with the uncertainty of how their working environment might change tomorrow.

However, I should like to emphasize once more that we aren't holding any information back. Our project in Germany isn't simply a cost-cutting exercise. It is about transferring three big insurance companies into a new business model that will entail a fundamental restructuring of our IT systems. That's why all these measures have to be worked out gradually and with care. They then have to be addressed in the company decision-making process, in which the employee committees are fully integrated.

I have a great deal of respect for the concerns of our staff and I know full well that in situations of change, the need for continuous communication and for answers is greater than under normal circumstances. That's why we are all working as hard as possible in order to end this phase of uncertainty as soon as possible.

I should like to conclude the comments I made on Germany at the outset with a reminder that Allianz has always treated employees and agents with respect and fairness when undertaking processes of change. This will also be the case during the course of the measures we are now embarking on. This Extraordinary General Meeting, however, is not the forum where we are able to enter into an in-depth discussion of these changes.

This brings me to the subject of our General Meeting today – to item one on the agenda, the merger.

< *Chart 2: Allianz on course ...* >

Dear Shareholders,

This day may become a milestone in the development of your company. We are proposing to merge our listed Italian subsidiary RAS into Allianz AG and make Allianz the first major company to convert into a European joint-stock company – a *Societas Europaea*. Last Friday, the shareholders' meetings of RAS approved the merger. In the process the merger was approved by a majority of over 99 percent at the meeting of the ordinary shareholders, while the approval of the preferred shareholders was unanimous. Today, we are asking you to consent to the merger and the associated capital measures.

The key goal of this transaction is to achieve a new position within Europe. The merger will immediately lead to a simplification of the corporate legal structures and lay the foundation for future increases in income and growth.

Full corporate control over RAS and all its consolidated subsidiary companies is a fundamental prerequisite for this move. This is what today's meeting is about.

The projected move marks our commitment to Europe. The lion's share of our sales and profits originates from our European markets. The vast majority of our customers, shareholders and employees come from Europe. We're confident that this market has potential and continues to offer us excellent opportunities for future development. We want to use these opportunities for the company and for our staff and shareholders. That's why we want to carry out the merger and why we are investing in Europe. That's also what today is about.

Dr. Achleitner will give you details about the transaction later. I should first like to explain to you how this project relates logically to our strategy. By undertaking this reorganization in Europe, we are not simply continuing to implement our 3+One Program consistently. Rather, the new structure will help us to drive forward important 3+One initiatives even faster.

< *Chart 3: 3+One: Key intermediate targets ...* >

Since 2003, the 3+One Program has been defining the work that lies ahead. Here is a reminder of the four items in the program:

1. Protect and enhance the capital base
2. Strengthen operating profitability
3. Reduce complexity, and

Plus One: Increase sustainable competitiveness and shareholder value.

Since I presented the basic principles of this program to you at the Annual General Meeting in 2004 for the first time, we have achieved a great deal. We have increased the capital base of Allianz by more than 13 billion euros. The capital additionally subscribed by you and the positive development of reserves in our investments have combined with the performance of profits to strengthen the capital base.

The positive development of performance is evident from the significant increase in operating profitability. With a projected operating result of 7.6 billion euros we have almost doubled our results since 2003. This means that Allianz has succeeded in significantly expanding earning power from the organic operating business and has gained independence from windfall gains on investments.

Please note that the figures for the year 2005 originate from the merger report and are still provisional. We will only be able to confirm the final figures once the annual financial statements have been approved. They will be the subject of our Annual General Meeting in May. However, I am in a position to confirm to you that our current level of knowledge provides no indication of any deviations from these figures for the Allianz Group.

Our progress has been given a positive reception in the capital market. This emerges from the development of market capitalization for Allianz. By the close of 2005, it had risen to nearly 52 billion. The market has acknowledged that these improvements in earnings really are sustainable. I'm certain that you will also have been pleased with the good performance of the Allianz share at the close of 2005.

< Chart 4: 3+One: Important stages ahead of us ... >

Naturally, we too find this progress extremely gratifying. However, we also remain realistic: We have achieved our intermediate goals. This holds true for our 3+One Program as well as for our share price.

Bringing about a real reduction in complexity is a particularly difficult challenge in our 3+One Program. The merger of RAS into Allianz AG would be a major step forward in this endeavor. I should like to explain this to you in detail.

Let me start with addressing the issue of why RAS and the Italian market are so important for Allianz. Ladies and Gentlemen, Allianz and RAS – founded in Trieste in 1838 – have been associated with each other for many years now. In 1984, we already acquired a stake of 14.3 percent in RAS. Since 1987, Allianz has held more than 50 percent of the shares.

< Chart 5: Overview of the RAS Group ... >

During recent years, the RAS Group has undergone excellent development. Only a few years ago, it was mainly a property and casualty insurer focused on agency sales. Today, RAS is marketing a similar range of products to those sold by Allianz in Germany. It is doing so through many different sales channels. Apart from its activities in Italy, RAS is represented through insurance companies in five other European countries. Today, these companies are already operating under the Allianz name, but so far Allianz AG has only held minority stakes directly.

In 2004, the RAS Group generated sales of 15.3 billion euros, posting net income of 676 million euros. In property and casualty business, RAS achieved premium income of 6.4 billion euros. Almost 40 percent of this income was derived from the consolidated RAS subsidiary companies outside Italy. Premiums amounted to 8.4 billion euros in business with life and health products. The proportion of activities outside Italy amounted to just below 20 percent. RAS contributed additional premiums amounting to more than 2 billion euros to consolidated sales through Allianz companies in Spain. These premiums are not included in the sales of the RAS Group presented here for reasons of consolidation. The banking and asset management business is concentrated in Italy. Assets managed for third parties achieved an impressive 17 billion euros in 2004.

< Chart 6: Contribution of the RAS Group to 3+One >

Allianz benefits from the operating successes of RAS. The indicators which we use to measure the progress of our 3+One Program highlight this contribution. During the last three years, RAS has continuously

improved its shareholders' equity and its operating profitability.

Shareholders' equity of the RAS Group will achieve almost 8 billion euros in 2005. Preliminary figures project that the operating result will significantly exceed the mark of one billion euros. You can see from the rise in market capitalization that the stock market has acknowledged these successes.

< Chart 7: Italy's insurance market shows ... >

With the acquisition of minority shareholdings in RAS, we can continue to expand our position in the profitable Italian growth market where we are also represented with our very successful subsidiary Lloyd Adriatico.

The Italian market for life products achieved impressive annual growth rates of 12.6 percent during the past five years. The annual growth of 5.3 percent in property and casualty insurance is also very attractive on an international comparison.

RAS is in an excellent position in the Italian market. It supports 4.5 million private and 500,000 corporate customers. In 2004, it succeeded in achieving premium income of 10.9 billion euros in Italy, of which 3.9 billion euros was generated in property and casualty insurance and almost 7.0 billion euros in life and health business. This took RAS to position number four in the market for property and casualty insurance. The Group is ranked second in life insurance.

< Chart 8: RAS: Well positioned in all sales channels ... >

However, the importance of RAS in Italy goes beyond the realm of purely financial indicators. Over the years, the management of RAS has succeeded again and again in identifying the trends in the financial

services industry in good time, and it has taken the lead in setting trends itself.

I should like to explain this on the basis of three examples from sales.

- Example one, bancassurance, which means the sale of insurance products through banks: RAS recognized the growing importance of banks for the sale of life products at an early stage. In 1997, it established the joint venture Creditras together with UniCredit. UniCredit is responsible for sales through its 3,000 banking branches, while RAS is in charge of all policy and claims administration processes. The success of the joint venture is proof that the partners adopted the right approach. 60 percent of the life products are now sold in Italy through banking branches, and Creditras is among the market leaders.
- Second example, RasBank: In 1990, RAS established the universal bank RasBank, which today has 500,000 customers. The special feature of this operation is that RasBank adopted new sales concepts from the outset. It was the first bank in Italy to establish a telephone bank, and it was also a pioneer in the field of Internet banking. RasBank maintains a network of 2,800 financial planners as a third pillar, which gives it a leading position in this increasingly important sales channel for financial products.
- The third example also highlights the ability of RAS to identify and exploit innovation as an opportunity. The subsidiary Genialloyd started to sell motor insurance policies over the Internet as early as 1998. This was a first in Italy. Today, Genialloyd is the market leader in direct sales of property and casualty products and has been growing faster than the market overall for many years now.

< *Chart 9: RAS subsidiaries* >

The RAS subsidiaries outside Italy are located in five European core markets which are very important for Allianz.

In **Spain**, we are represented by the companies Allianz Seguros, Fenix Directo and Eurovida. The activities are very profitable. The loss ratio of 90.9 percent in property and casualty business is a top international value. Allianz is number two in the market for property and casualty business. Total premiums amount to 2.4 billion euros. And ongoing prospects are good. The lack of maturity in the market means that Spain will continue to experience above average growth in the future.

We're also anticipating above-average growth rates in **Austria**. There we achieve a leading position with Allianz Elementar, particularly in property and casualty business. This company is characterized by modern information technology – a system that acts as a role model for many countries.

Allianz Elementar and Allianz Suisse are also performing the function of a role model by integrating their IT applications on this basis – a good example for best practice sharing within Allianz. Our company in **Switzerland** will benefit from this move. It is well established as a company in life and property and casualty business with results that have improved significantly.

Allianz **Portugal** ranks number four among the RAS shareholdings. It is particularly well positioned in property and casualty business and is very profitable. The Portuguese bank BPI – with which we also have a joint venture in bancassurance business – has a 35.1 percent stake in Allianz Portugal.

Finally, we also have an insurance joint venture with Koc-Group. This venture has a leading market position in **Turkey**. The life and property and casualty business in this high-population country has enormous potential for growth.

This completes my overview of the RAS Group. I should now like to return to the merger.

< Chart 10: Euroefficiency: Action Plan ... >

The road that will turn Allianz into the European joint-stock company, which we are describing here with the term “Euroefficiency”, comprises three action packages:

1. Integration of the RAS Group.
2. Streamlining of European Group activities, and
3. finally adjustment of the organizational structure.

The first stage, i.e. integration of the RAS Group, includes

- the acquisition of minority shareholdings in RAS,
- the statutory merger of RAS into Allianz AG, and
- the conversion of Allianz AG into an SE.

< Chart 11: Transaction - schedule >

We already carried out initial measures for implementing the transaction in 2005. After announcing the project in September, RAS shareholders had the option of selling us their shares in return for cash. At the beginning of January 2005, the operating business of RAS Italy was hived off into a separate company. This now allows the merger of the remaining RAS Holding, which holds the foreign shareholdings, into

Allianz. This was the issue addressed by the RAS shareholders' meetings on Friday in Milan and today the issue is to be put to the vote here.

The measures for integrating the European employees are running in parallel. The employees and the companies will define co-determination for the SE in the projected negotiations. After these negotiations have been concluded, the SE will then be established through registration in the company register.

< Chart 12: Euroefficiency: Action Plan ... - corresponds to Chart 10 >

The merger gives Allianz full corporate control over the RAS Group. This takes us to part two of Euroefficiency: reorganization of the structures in Europe. The merger transfers the shares of RAS in its subsidiary companies to Allianz SE. RAS and Allianz shares in these subsidiary companies are brought together under the roof of Allianz SE.

< Chart 13: Merger reduces complexity ... >

I believe, Ladies and Gentlemen, that even a quick glance at the structure in Europe before – here on the chart on the left – and after restructuring – here on the chart on the right – shows very clearly that we are substantially simplifying the corporate legal structures by means of the merger.

- The minority shareholders of RAS become shareholders in Allianz.
- The companies in Switzerland, Austria, Spain, Turkey and Portugal will have one shareholder less in future and will be managed directly by Allianz SE.

This means that earnings and dividends will no longer be transferred to minority shareholders of RAS, but will fully benefit Allianz instead.

Moreover, streamlining the legal and organizational structures and, more specifically, reducing the number of levels in the holding structure, will result in massive simplifications of the financial and administrative processes.

- Capital and liquidity management, accounting, reporting and committee administration will all be simplified significantly and it will be much easier to implement initiatives across the Group.

< Chart 14: Euroefficiency: Action Plan ... - corresponds to Chart 10 >

Conversion of Allianz AG to an SE and the reconfiguration of the legal corporate structures is followed by adjusting the organizational structures. As Dr. Schulte-Noelle has explained, the composition of the Supervisory Board will continue to be based on parity. However, the representatives of the employees on the Supervisory Board will no longer come exclusively from Germany. The intention is also to reduce the Supervisory Board from 20 to 12 members. We believe this will result in even more effective cooperation.

< Chart 15: International profile for the management team >

In the course of pursuing restructuring in Europe, we have also made new arrangements for responsibilities on the Board of Management. Two considerations played a role here. Firstly, we have distributed the responsibilities in insurance business more clearly on the basis of the regions than before. Secondly, we have harmonized responsibilities on the Board of Management with the company structures.

Ladies and Gentlemen, as Dr. Schulte-Noelle announced, I should like to take the opportunity at this point to present to you the three

colleagues who were newly appointed to the Board of Management of Allianz AG, with effect from January 1, 2006.

Dr. Enrico Cucchiani has been Chairman of the Board of Management of our Italian subsidiary Lloyd Adriatico since 1998. In the Board of Management of Allianz, Dr. Cucchiani is responsible for Italy, the national companies of the RAS Group, and Greece. Dr. Cucchiani also heads the Sustainability Program in the area of property and casualty insurance which I presented to you in May 2005.

Jean-Philippe Thierry is another new appointee to the Board of Management. Mr. Thierry worked in the financial services sector in France for 20 years before becoming Chairman of the Board of Management of our French subsidiary AGF in 2001. On the Board of Management of Allianz, Mr. Thierry is responsible for France and for all the regions and countries where AGF has shareholdings in subsidiary companies. These include the Benelux states, the Middle East, South America and Africa. Mr. Thierry is also responsible for our worldwide activities in credit and assistance insurance, and for the Life Sustainability Program.

Clement B. Booth has joined the Board of Management as an established expert in industrial and reinsurance business. Mr. Booth spent several years as a Member of the Board of Management of Munich Re and was last Managing Director of the international reinsurance broker Aon Re Global in London. On the Board of Management of Allianz, Mr. Booth is responsible for the broker dominated markets of Great Britain, Ireland and Australia, as well as being responsible for the international industrial and reinsurance business of Allianz AG.

The three new members have provided the Board of Management with a higher international profile. I believe you will agree with me that this change is in full harmony with the project we're submitting to you today for your decision.

< Chart 16: Merger is beneficial >

Let me summarize what I have said as follows: The merger of Allianz AG and RAS is a consistent step within the framework of our 3+One Program.

- The exchange of minority shareholdings for Allianz shares allows us to strengthen our shareholders' equity.
- We improve our position in important European markets.
- The new structure offers the opportunity of managing our Italian activities even more effectively.
- Restructuring RAS and its shareholdings will lead to focused structures. Differences between corporate legal structures and organizational responsibilities are eliminated.
- A large number of financial and administrative processes will be significantly simplified.
- Finally, the new structure makes it easier to implement initiatives across the group. Efficiency and growth potential can be exploited more quickly.

< Chart 17: Allianz shareholders will benefit from the merger project >

I should now like to present to you the key financial figures for the transaction.

We acquired 21 percent of the outstanding RAS shares for approximately 2.7 billion euros via a cash tender offer. The deal was financed in the form of a capital increase of 1.1 billion euros, by 1.0 billion euros taken out through debt and by 600 million euros in internal funds. The remaining 24 percent of RAS shares will be acquired through the merger by issuing an additional app. 25 million Allianz shares. Depending on our share price the transaction volume amounts to approximately 5.9 billion euros.

This allows us to acquire an increase in net income pro forma amounting to 370 million euros. The overall result is that earnings per share before potential synergies will be diluted by 2 percent. This deviates from our original assumption of 2 percent earnings increase per share, because it is likely that more RAS shareholders will take up the exchange offer than was envisaged for the original financing structure.

However, we're confident that the strategic and operating advantages will offer earnings perspectives over the medium term that will more than justify this transaction from the perspective of Allianz shareholders.

This is confirmed by the capital market, where the announcement of the merger project has received a positive reception. During the first six weeks following the announcement of the transaction, the Allianz share outperformed the DAX by almost 10 percentage points. By the end of the year, it had performed twice as well as the DAX. Analysts also reacted positively and adjusted their consensus estimate for the performance of the Allianz share for year end 2006 from 125 euros in August 2005 to an average of 148 euros in January 2006.

We regard this reaction as proof of confidence – in the company and in the transaction that we are about to decide on today.

What's more, now is precisely the right time for this transaction. A cross-border merger has only been possible since December 2004 with the introduction of the SE Implementation Law.

Previously, the minority shares could only have been acquired by paying a very high takeover premium. This would not have been attractive to Allianz shareholders. Moreover, we wouldn't have had any security that we would actually have been able to acquire 100 percent of RAS, because the squeeze-out threshold in Italy is very high at 98 percent.

< Chart 18: Outlook >

Ladies and Gentlemen, I should now like to draw the strands together in conclusion. 2006 is a very important year for your Allianz. We have set up and initiated a series of future-oriented measures.

- We want to create a European joint-stock company, the SE. This is what today's meeting is about. Merging RAS into Allianz lays the foundation for further improvements.
- We want to drive forward our Sustainability and Customer Focus Initiatives with great energy.
- And: We want to and will launch new initiatives in order to achieve future successes on the basis of an established business model.

In short: We want to take a big step forward with our 3+One Program. Your consent to the establishment of a European company in the course of the merger of Allianz AG and RAS marks an important move in this direction.

I should like to ask for your support and now turn to Dr. Achleitner to present the details of the project.

Many thanks for your attention.

Cautionary Note Regarding Forward Looking Statements

Certain of the statements contained herein may be statements of future expectations and other forward-looking statements that are based on management's current views and assumptions and involve known and unknown risks and uncertainties that could cause actual results, performance or events to differ materially from those expressed or implied in such statements. In addition to statements which are forward-looking by reason of context, the words 'may, will, should, expects, plans, intends, anticipates, believes, estimates, predicts, potential, or continue' and similar expressions identify forward-looking statements.

Actual results, performance or events may differ materially from those in such statements due to, without limitation, (i) general economic conditions, including in particular economic conditions in the Allianz Group's core business and core markets, (ii) performance of financial markets, including emerging markets, (iii) the frequency and severity of insured loss events, (iv) mortality and morbidity levels and trends, (v) persistency levels, (vi) the extent of credit defaults (vii) interest rate levels, (viii) currency exchange rates including the Euro-U.S. Dollar exchange rate, (ix) changing levels of competition, (x) changes in laws and regulations, including monetary convergence and the European Monetary Union, (xi) changes in the policies of central banks and/or foreign governments, (xii) the impact of acquisitions, including related integration issues, (xiii) reorganization measures and (xiv) general competitive factors, in each case on a local, regional, national and/or global basis. Many of these factors may be more likely to occur, or more pronounced, as a result of terrorist activities and their consequences.

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